

KIAWAH RIVER UTILITY COMPANY

DOCKET NO. 2018-102-S

Testimony of John F. Guastella

Before the South Carolina

Public Service Commission

Testimony Prepared: September 10, 2019

Hearing Date: November 12, 2019

**Q. Please state your name and business address.**

A. John F. Guastella, 725 N. Highway A1A, Suite B103, Jupiter, Florida 33477.

**Q. What is your occupation?**

A. I am president of Guastella Associates, LLC ("GA").

**Q. Briefly describe GA?**

A. Guastella Associates provides utility rate, valuation and management consulting services.

**Q. Have you previously testified before the South Carolina Public Service Commission ("PSC")?**

A. Yes.

1 **Q. What is your involvement with Kiawah River Utility Company (“KRUC” or**  
2 **“Company”)?**

3 A. GA was retained to prepare the initial rates and charges of a developer-related  
4 sewer utility to be formed to serve a new real estate project in Charleston County,  
5 South Carolina, and assist in the ORS and PSC adjudication process. KRUC was  
6 subsequently established, and in the course of the preparation of our initial rate  
7 study an agreement was entered into for GA to manage KRUC’s record keeping,  
8 accounting, billing, customer service, financial and regulatory matters.

9  
10 **Q. Did you prepare the initial rate study that has been submitted with KRUC’s**  
11 **petition to the Public Service Commission for approval of its initial rates?**

12 A. Yes. I coordinated the preparation of the “Initial Rate Study” with Gary White,  
13 Vice President of GA. The study contains a narrative and summary schedules that  
14 support the initial rates and charges, and we also prepared a tariff schedule that  
15 has also been submitted with the application. Note that a statement of my  
16 qualifications and experience is appended to that study.

17  
18 **Q. Does your Initial Rate Study explain the rate setting principles and**  
19 **methodology used to develop the rates and charges?**

20 A. Yes.  
21

22 **Q. Would you briefly describe the overall goal of your study?**

23 A. Yes. Because KRUC is a newly formed developer-related sewer utility, the goal  
24 of the study is to recommend rates and charges that would only generate the

1 portion of the cost of providing wastewater collection, treatment and disposal  
2 service necessary attributable to the respective number of customers during the  
3 growth years, and thereby assure that they do not bear the costs related to the real  
4 estate project.

5  
6 **Q. How does your study accomplish that goal?**

7 A. The initial rate study is based on a “complete system” analysis in which the sewer  
8 operations are projected to reflect a full complement of customers. Accordingly,  
9 the number of customers from the inception through the growth years only pay a  
10 proportionate share of the actual expenses and capital investment and, therefore,  
11 the related developer or the parent of the Company will have to advance the funds  
12 to the Company to cover the costs that the shortfall in revenues creates.

13  
14 **Q. Will KRUC need to raise rates during the growth years?**

15 A. Yes, periodic rate increase will likely be necessary. The currently projected  
16 complete system analysis does not take into account any unanticipated  
17 inflationary increases in operating expenses or capital costs related to the utility  
18 facilities, or changes in regulatory requirements. Those increases would,  
19 however, still be based on a complete system analysis, as adjusted, so that the  
20 customers would still only pay for a proportionate share of the cost of providing  
21 sewer service.

22

1    **Q.**     **In your opinion, are the proposed initial rates and charges as well as the**  
2           **method you used to calculate them reasonable?**

3    A.     Yes.

4

5    **Q.**     **Does this conclude your testimony at this time?**

6    A.     Yes.